

**CITY OF FAIRVIEW, OKLAHOMA
FAIRVIEW, OKLAHOMA**

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2013**

THE CITY OF FAIRVIEW, OKLAHOMA
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YEAR ENDED JUNE 30, 2013

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CITY OF FAIRVIEW, OKLAHOMA
YEAR ENDED JUNE 30, 2013
LIST OF PRINCIPAL OFFICIALS

MAYOR
Vernon Hoehn

COUNCIL MEMBERS
David DeBoer
Dr. Don Klinger
Irv Ogden
Jared Thompson

CITY MANAGER
Paul Southwick

CITY CLERK
Sally Jantz

CITY TREASURER
Sally Jantz



205 W. McElroy
Stillwater, Okla.
(405) 624-9500

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Fairview, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fairview, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairview, Oklahoma, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Sales Tax 35% Improvement Fund, Sales Tax 65% Improvement Fund and Sales Tax 2012 Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–10 and 17–20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairview, State Oklahoma's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FSW&B CPA's-PLLC

FSW&B CPA's-PLLC

Stillwater, Oklahoma

January 20, 2014

Our discussion and analysis of the City of Fairview's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2013, the City's total net position, excluding discretely presented component units, was \$12,170,515, which was an increase of \$986,493 or 9% over prior year's balance of \$11,312,196. During the fiscal year, the City adopted GASB 65, which changed the way bond issuance costs were reported on the Statement of Net Position. As a result, the City recorded an adjustment of \$128,174 to expense the unamortized portion of issuance costs remaining on outstanding debt.
- During the year, City's expenses for governmental activities amounted to \$1,451,886 and were funded by program revenues of \$258,758 and further funded programs with taxes and other general revenues and transfers that totaled \$1,816,485.
- In the City's business-type activities, including utility services and the airport, program revenues exceeded expenses by \$410,328, mainly attributable to utility revenues and sales tax restricted for debt payments. In addition, general revenues totaled \$65,557, which included interest and penalties.
- At June 30, 2013, the General Fund reported an unassigned fund balance of \$623,931, which can be used to pay for the ongoing operations of the City. Refer below for additional discussion of this increase over prior year.
- For budgetary reporting purposes, the General Fund reported actual revenues above final estimates of revenues by \$603,191 or 85%, while expenditures were under the final appropriations by \$132,462 or 11%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Fairview (the "City") and its component unit using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of two categories of activities- governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets and liabilities- as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, wastewater, and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds- When the City charges customers for the services it provides- whether to outside customers or to other units of the City- these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. Discretely presented component units are reported as a proprietary fund.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position, excluding component units, increased from \$11,312,196 to \$12,170,515 between fiscal years 2012 and 2013. Both governmental and business-type activities reported an increase in net position during the year.

	Governmental		Business-Type		Total		Change	
	2013	2012	2013	2012	2013	2012	\$	%
Current assets	\$ 2,096,012	\$ 1,257,145	\$ 2,356,623	\$ 2,185,360	\$ 4,452,635	\$ 3,442,505	\$ 1,010,130	29%
Non-current assets	-	-	-	128,174	-	128,174	(128,174)	-100%
Capital assets, net	2,577,826	2,745,328	10,068,651	10,167,369	12,646,477	12,912,697	(266,220)	-2%
Total assets	4,673,838	4,002,473	12,425,274	12,480,903	17,099,112	16,483,376	615,736	4%
Current liabilities	75,620	27,612	547,925	416,622	623,545	444,234	179,311	40%
Non-current liabilities	-	-	4,305,052	4,717,946	4,305,052	4,717,946	(412,894)	-9%
Total liabilities	75,620	27,612	4,852,977	5,134,568	4,928,597	5,162,180	(233,583)	-5%
Net position								
Invested in capital assets, net of related debt	2,577,826	2,745,328	5,468,999	5,410,181	8,046,825	8,155,509	(108,684)	-1%
Restricted	104,198	88,541	800,679	-	904,877	88,541	816,336	922%
Unrestricted	1,916,194	1,140,992	1,302,619	1,936,154	3,218,813	3,077,146	141,667	5%
Total net position	\$ 4,598,218	\$ 3,974,861	\$ 7,572,297	\$ 7,346,335	\$ 12,170,515	\$ 11,321,196	\$ 849,319	8%

Total assets, combined, increased 4% over prior year, which is consistent with prior year. The most significant change was in current assets, specifically restricted cash on hand. Liabilities decreased 5% year over year. This is due to payments made on long-term debt held by the Fairview Utility Authority. Total net position increased \$849,319 or 8%, as discussed below.

Changes in Net Position

For the year ended June 30, 2013, net position of the primary government changed as follows:

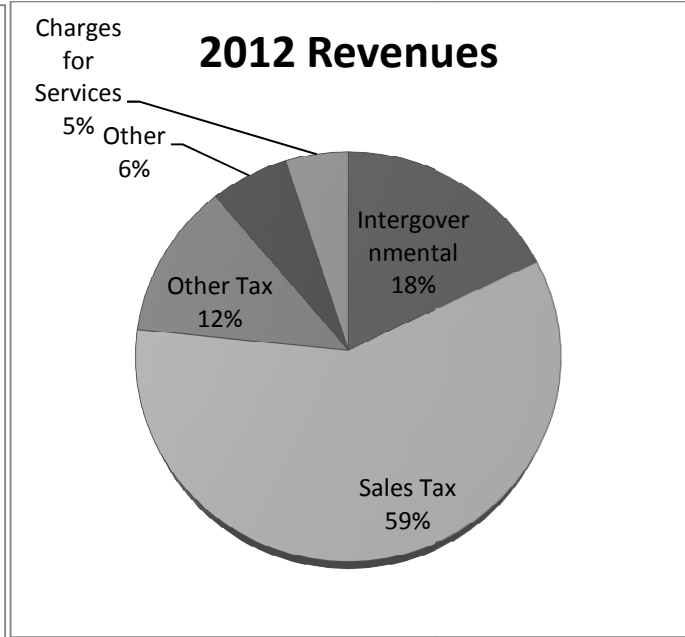
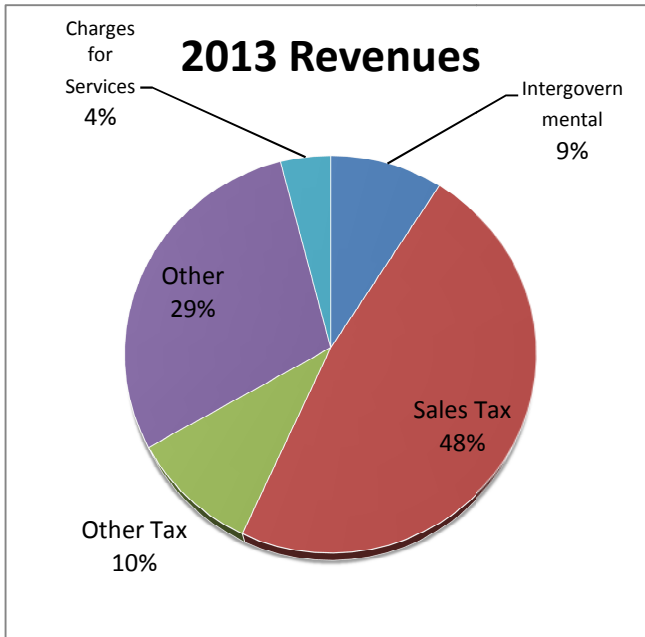
	Governmental Activities		Business-type Activities		Total		Change	
	2013	2012	2013	2012	2013	2012	\$	%
Revenues								
Program revenues	\$ 258,758	\$ 317,724	\$ 4,609,885	\$ 4,424,865	\$ 4,868,643	\$ 4,742,589	\$ 126,054	3%
Taxes and other general revenues	1,703,736	1,078,249	65,557	64,121	1,769,293	1,142,370	626,923	55%
Total revenues	1,962,494	1,395,973	4,675,442	4,488,986	6,637,936	5,884,959	752,977	58%
Expenses								
General government	251,687	162,365	-	-	251,687	162,365	89,322	55%
Public safety and judiciary	591,172	549,706	-	-	591,172	549,706	41,466	8%
Transportation	269,304	267,986	-	-	269,304	267,986	1,318	0%
Cultural, parks, and recreation	305,864	299,781	-	-	305,864	299,781	6,083	2%
Economic development	33,859	30,678	38,903	81,034	72,762	111,712	(38,950)	-35%
Electric	-	-	2,531,225	2,424,673	2,531,225	2,424,673	106,552	4%
Water	-	-	250,154	235,049	250,154	235,049	15,105	6%
Sewer	-	-	206,841	97,226	206,841	97,226	109,615	113%
Sanitation	-	-	357,100	290,771	357,100	290,771	66,329	23%
Airport	-	-	65,443	62,500	65,443	248,887	(183,444)	-74%
Customer service	-	-	749,891	714,422	749,891	498,502	251,389	50%
Total expenses	1,451,886	1,310,516	4,199,557	3,905,675	5,651,443	5,186,658	464,785	9%
Excess (deficiency) before transfers	\$ 510,608	\$ 85,457	\$ 475,885	\$ 583,311	\$ 986,493	\$ 698,301	\$ 288,192	41%
Transfers	112,749	(112,335)	(112,749)	112,335	-	-	-	0%
Increase (decrease) in net assets	\$ 623,357	\$ (26,878)	\$ 363,136	\$ 695,646	\$ 986,493	\$ 698,301	\$ 288,192	41%

The City's governmental activities' noted a significant increase in general revenues due to the refunding of over \$550,000 in retiree contributions by the Oklahoma Municipal Retirement Fund (OMRF). The contributions were the City's matching portion forfeited by retirees no longer in the retirement pool. Additionally, the City noted a modest increase in sales tax during fiscal year 2013. Business-type activities also noted an increase in program revenues due to increase in revenues from services billed during the year. Expenses remained consistent year over year, noting a 9% increase. In addition to inflation absorbed by the City, there was an increase in depreciation on capital assets purchased and constructed during the fiscal year. The influx of revenues resulted in a strong financial position for the City, reporting an increase in net position for the year of \$986,493 compared to \$698,301 in 2012. As a whole, the City's financial condition improved from the prior year.

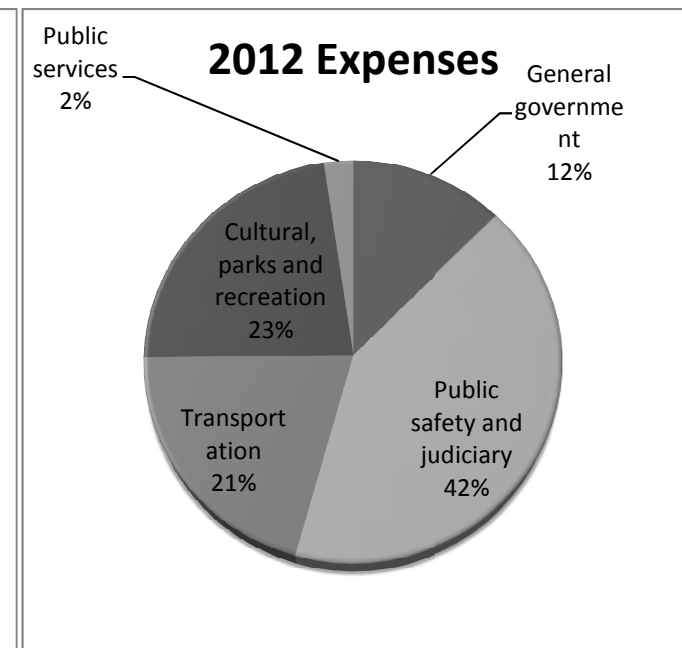
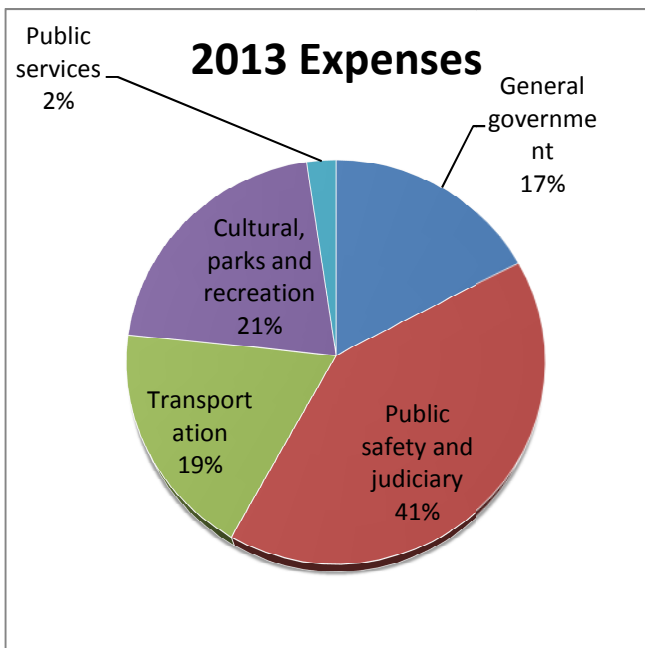
Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended June 30, 2013, the City's governmental activities were funded as follows:



Sales tax provided the largest source of funding for governmental activities at 48% in the current year compared to 59% in the prior year with other taxes, including use tax, alcohol beverage tax, and franchise taxes contributing 10% of the funding for the fiscal year. Other revenues, which include the refund from OMRF, noted a significant jump from 12% of revenue sources to 29% in fiscal year 2013. Intergovernmental revenues also represented 9% of funding as compared to 18% of funding in the prior year. Intergovernmental revenues include grants and contributions from external governmental agencies.

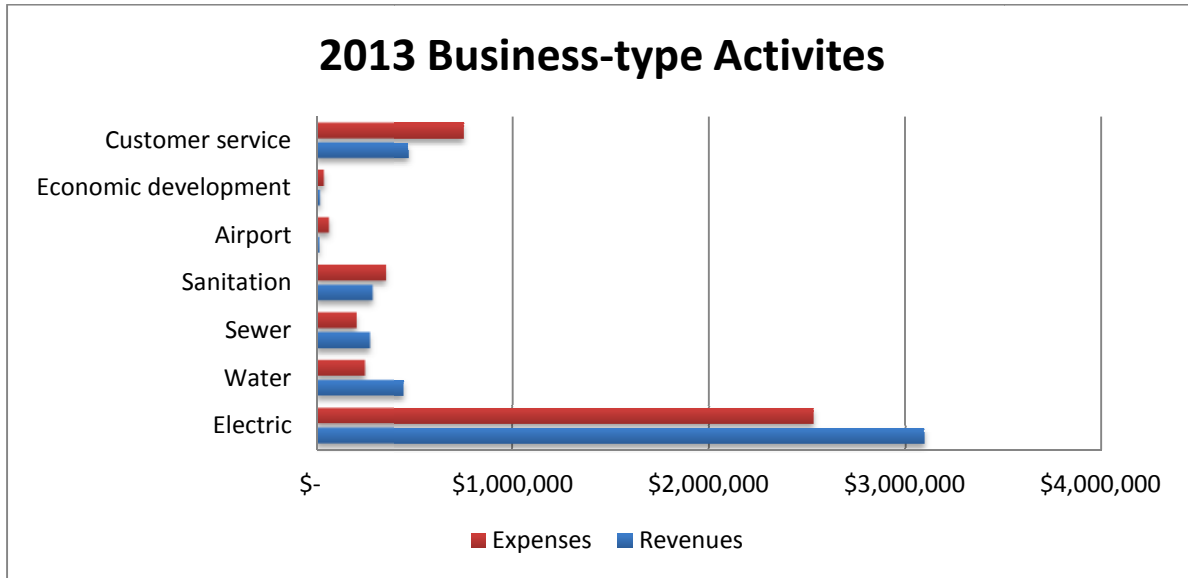


For the year ended June 30, 2013, total expenses for governmental activities by department allocation were consistent with prior year.

Business-type Activities

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net operating revenue of \$410,328, before transfers and miscellaneous income, for the year ended June 30, 2013.
- Electric, water, and sewer, reported net revenue for the year ended June 30, 2013, while the sanitation, airport, economic development, and customer service reported net expenses, as detailed below.



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$2,020,392 or 64% increase from the prior year. The General Fund noted the largest increase of 327% due to the OMRF refund recorded in miscellaneous income for the current year. As the Sales Tax 35% and Sales Tax 65% ordinances expired in November 2012, the citizens of Fairview elected to continue the one cent capital improvement sales tax. Beginning in December 2012, that restricted sales tax was recorded in the Sales Tax 2012 fund. This change resulted in a decrease in fund balance of \$83,864 and \$38,717 in the Sales Tax 35% and Sales Tax 65% funds, respectively. Correspondingly, the Sales Tax 2012 fund noted an increase of \$301,114.

General Fund Budgetary Highlights

The adopted General Fund budget for the fiscal year 2013 was \$1,215,815. This was an increase of approximately 11% over the previous year's budget. The adopted budget was not amended once during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the City had \$8,8046,825 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities.

Note the City's discretely presented component unit is excluded from the table below.

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	132,670	97,848	737,239	717,239	869,909	815,087
Buildings	1,330,337	1,427,394	2,967,308	3,006,124	4,297,645	4,433,518
Other improvements	749,412	778,816	-	-	749,412	778,816
Machinery & equipment	365,407	444,270	158,994	115,731	524,401	560,001
Utility property & improvements	-	-	4,488,471	4,472,849	4,488,471	4,472,849
Airport infrastructure	-	-	1,778,143	1,794,802	1,778,143	1,794,802
Construction in process	-	-	60,624	60,624	60,624	60,624
Totals	<u>2,577,826</u>	<u>2,748,328</u>	<u>10,190,779</u>	<u>10,167,369</u>	<u>12,768,605</u>	<u>12,915,697</u>

This year's more significant capital asset additions included:

- In Governmental Activities, \$21,245 Chevy Impala for the Police department, \$33,825 for restroom facilities and improvements at the parks, purchase of real property, and continued improvements on the streets.
- In Business-type Activities, over \$159,000 in lift station and water improvements, two new vehicles for the water and administration, software upgrades, as well as other machinery and equipment.

Long-Term Debt

During the fiscal year, the City completed the line of construction for the lagoon improvements. This increase in debt is offset by payments made on existing long term debt. Changes in long-term debt by type of debt are as follows: Note the City's discretely presented component unit is excluded from the table below.

Primary Government Long-Term Debt

	Business-type Activities	
	<u>2013</u>	<u>2012</u>
Revenue bonds	2,685,000	2,840,000
Notes payable	<u>1,914,652</u>	<u>2,045,362</u>
subtotal	4,599,652	4,885,362
less current portion	<u>(294,600)</u>	<u>(255,986)</u>
Total long term debt	<u>4,305,052</u>	<u>4,629,376</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, the state's twelve-month gross receipts have reached an all time high, surpassing the previous record set in December 2008. State Treasurer, Ken Miller, Oklahoma has "regained and moved past the ground it lost during the Great Recession". Although the national economy has been sluggish, Oklahoma has shown significant improvement. The economic environment of the state sheds light on that local economy, as the City has also seen improvement.

The City of Fairview has noted increase in sales and other tax revenues when compared to prior year. Utility billing has remained strong due to an increasing customer base. Continued improvement in the City's economic position is cautiously projected.

Governmental Activities

Sales tax and other tax revenues are budgeted at 90% of current year collections. This conservative approach ensures the City does not rely on funds that economically or seasonally dependent. If collections occur in consistent with fiscal year 2013, an additional \$56,625 in taxes will be available in the General Fund.

Employee raises, as recommended by the City Manager, are included in the budget. The cost of those raises is approximately \$16,500 for employees in the General Fund. Operational expenses are budgeted consistent with prior year. Moderate increases were noted based upon known increases in costs, specifically postage and fuel.

Capital projects for the City are budgeted in the Sales Tax 35%, Sales Tax 65%, and the Capital Improvement Fund. In total, the City has budgeted \$729,951 in capital improvements during fiscal year 2014 including storm sirens, ballpark construction, water and lift station improvements, a bucket truck, matching funds for the Airport runway improvements, and other equipment and street improvements.

Business-type Activities

Utility Authority revenues and operational expenses are budgeted consistent with prior year. After supporting the operations of governmental activities, the Utility Authority is projected to breakeven for the fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at 123 South Sixth Avenue, Fairview, OK 73737 or 580-227-4416.

City of Fairview, Oklahoma
Statement of Net Position
June 30, 2013

				Discrete Component Unit
	Governmental	Business-type		Fairview Municipal
ASSETS	Activities	Activities	Total	Hospital Authority
Current Assets:				
Cash, including time deposits	\$ 1,134,137	\$ 586,936	\$ 1,721,073	\$ 199,911
Investments	-	203,315	203,315	-
Receivable from other governments	134,382	36,032	170,414	63,721
Accounts receivable (net)	35,481	331,114	366,595	990,361
Prepaid assets	55,807	55,825	111,632	-
Note receivable, current portion	-	-	-	128,340
Supplies	-	-	-	88,938
Total current assets	1,359,807	1,213,222	2,573,029	1,471,271
Restricted assets:				
Cash	736,205	968,401	1,704,606	240,081
Investments	-	175,000	175,000	-
Total restricted assets	736,205	1,143,401	1,879,606	240,081
Noncurrent Assets:				
Other assets	-	-	-	111,216
Land and construction in progress	132,670	797,863	930,533	4,044
Other capital assets (net of accumulated depreciation)	2,445,156	9,270,788	11,715,944	3,937,593
Total noncurrent assets	2,577,826	10,068,651	12,646,477	4,052,853
Total assets	\$ 4,673,838	\$ 12,425,274	\$ 17,099,112	\$ 5,764,205
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 22,285	\$ 49,486	\$ 71,771	\$ 416,413
Payroll liabilities	21,067	13,755	34,822	-
Compensated absences, current	32,268	12,055	44,323	338,680
Notes payable, current	-	129,600	129,600	377,906
Total current liabilities	75,620	204,896	280,516	1,132,999
Liabilities payable from restricted assets:				
Accrued interest payable	-	307	307	-
Customer deposits payable	-	177,722	177,722	-
Bonds payable, current	-	165,000	165,000	-
Total liabilities payable from restricted assets	-	343,029	343,029	-
Noncurrent liabilities:				
Notes payable, non-current	-	1,785,052	1,785,052	2,369,677
Bonds payable, non-current	-	2,520,000	2,520,000	-
Total noncurrent liabilities	-	4,305,052	4,305,052	2,369,677
Total liabilities	75,620	4,852,977	4,928,597	3,502,676
NET Position				
Invested in capital assets, net of related debt	2,577,826	5,468,999	8,046,825	1,210,612
Restricted	104,198	800,679	904,877	303,802
Unrestricted	1,916,194	1,302,619	3,218,813	747,115
Total net position	\$ 4,598,218	\$ 7,572,297	\$ 12,170,515	\$ 2,261,529

City of Fairview, Oklahoma
Statement of Activities
June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 196,046	\$ 12,407	\$ 35,987	\$ 5,917	\$ (141,735)
Administration	55,641	-	-	-	(55,641)
Total general government	251,687	12,407	35,987	5,917	(197,376)
Public safety and judiciary:					
Legal & courts	12,266	24,683	-	-	12,417
Police	415,667	15,439	3,244	-	(396,984)
Animal control	43,696	503	-	-	(43,193)
Fire	119,543	200	6,622	-	(112,721)
Total public safety and judiciary	591,172	40,825	9,866	-	(540,481)
Transportation:					
Streets	269,304	-	23,303	-	(246,001)
Total transportation	269,304	-	23,303	-	(246,001)
Cultural, parks and recreation:					
Parks	191,486	21,172	-	-	(170,314)
Library	114,378	3,122	12,268	-	(98,988)
Total cultural, parks and recreation	305,864	24,294	12,268	-	(269,302)
Community development:					
Tourism	16,834	-	60,000	-	43,166
Economic developmnt	326	-	31,791	-	31,465
Cemetery	3,727	2,100	-	-	(1,627)
Health	12,972	-	-	-	(12,972)
Total community development	33,859	2,100	91,791	-	60,032
Total governmental activities	1,451,886	79,626	173,215	5,917	(1,193,128)
Business-type activities:					
Electric	2,531,225	3,096,205	-	-	564,980
Water	250,154	444,273	-	-	194,119
Sewer	206,841	275,401	-	-	68,560
Sanitation	357,100	289,306	-	-	(67,794)
Airport	65,443	16,669	-	-	(48,774)
Economic development	38,903	19,975	-	-	(18,928)
Customer service	749,891	-	-	468,056	(281,835)
Total business-type activities	4,199,557	4,141,829	-	468,056	410,328
Total primary government	\$ 5,651,443	\$ 4,221,455	\$ 173,215	\$ 473,973	\$ (782,800)
Component unit:					
Fairview Municipal Hospital	5,654,020	4,997,816	45,289	479,508	(131,407)
Total component unit	\$ 5,654,020	\$ 4,997,816	\$ 45,289	\$ 479,508	\$ (131,407)

(Continued)

City of Fairview, Oklahoma
Statement of Activities
June 30, 2013

Changes in Net Assets:

(Continued)

	Governmental Activities	Business-type Activities	Total	Fairview Municipal Hospital Authority
Net (expense)/revenue	\$ (1,193,128)	\$ 410,328	\$ (782,800)	\$ (131,407)
General revenues:				
Taxes:				
Sales taxes	936,113	-	936,113	-
Use taxes	98,368	-	98,368	-
Franchise taxes	33,002	-	33,002	-
Alcoholic beverage tax	63,625	-	63,625	-
Investment income	1,483	5,387	6,870	1,587
Oil and gas royalties	18,922	-	18,922	-
Penalties	-	38,599	38,599	-
Gain (loss) on disposal of assets	-	14,790	14,790	100,000
Miscellaneous	552,223	6,781	559,004	263,045
Transfers-Internal activity	112,749	(112,749)	-	-
Total general revenues and transfers	<u>1,816,485</u>	<u>(47,192)</u>	<u>1,769,293</u>	<u>364,632</u>
Change in net position	623,357	363,136	986,493	233,225
Net position-beginning	3,974,861	7,337,335	11,312,196	2,028,304
Adoption of GASB 65	-	(128,174)	(128,174)	-
Net position-ending	<u>\$ 4,598,218</u>	<u>\$ 7,572,297</u>	<u>\$ 12,170,515</u>	<u>\$ 2,261,529</u>

City of Fairview, Oklahoma
Balance Sheet
June 30, 2013

	General Fund	Sales Tax 35% Improvement Fund	Sales Tax 65% Improvement Fund	Sales Tax 2012 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash, including time deposits	\$ 658,330	\$ 195,465	\$ 378,403	\$ 265,082	\$ 373,062	\$ 1,870,342
Taxes receivable	58,709	-	-	36,032	39,641	134,382
Other accounts receivable	5,481	30,000	-	-	-	35,481
Prepaid deposits	55,807	-	-	-	-	55,807
Total assets	<u>\$ 778,327</u>	<u>\$ 225,465</u>	<u>\$ 378,403</u>	<u>\$ 301,114</u>	<u>\$ 412,703</u>	<u>\$ 2,096,012</u>
LIABILITIES						
Accounts payable	\$ 14,380	\$ 6,500	\$ -	\$ -	\$ 1,405	\$ 22,285
Payroll liabilities	21,067	-	-	-	-	21,067
Compensated absences, current	32,268	-	-	-	-	32,268
Total liabilities	<u>67,715</u>	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>1,405</u>	<u>75,620</u>
FUND BALANCES						
Nonspendable	55,807	-	-	-	-	55,807
Reserved	21,067	-	-	-	27,324	48,391
Committed	-	218,965	378,403	301,114	175,728	1,074,210
Assigned	9,807	-	-	-	208,246	218,053
Unassigned	623,931	-	-	-	-	623,931
Total fund balances	<u>710,612</u>	<u>218,965</u>	<u>378,403</u>	<u>301,114</u>	<u>411,298</u>	<u>2,020,392</u>
Total liabilities and fund balances	<u>\$ 778,327</u>	<u>\$ 225,465</u>	<u>\$ 378,403</u>	<u>\$ 301,114</u>	<u>\$ 412,703</u>	<u>\$ 2,096,012</u>
Total fund balance - total governmental funds						2,020,392
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:						
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.						
					132,670	
					5,100,517	
					(2,655,361)	
						2,577,826
Net assets of governmental activities						<u>\$ 4,598,218</u>

City of Fairview, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2013

	General Fund	Sales Tax 35% Improvement Fund	Sales Tax 65% Improvement Fund	Sales Tax 2012 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Sales tax	\$ 468,056	\$ 58,458	\$ 108,564	\$ 301,035	\$ -	\$ 936,113
Use taxes	98,368	-	-	-	-	98,368
Franchise taxes	33,002	-	-	-	-	33,002
Alcoholic beverage tax	63,625	-	-	-	-	63,625
Hotel/motel tax	-	-	-	-	31,791	31,791
Motor vehicle and gas tax	-	-	-	-	23,303	23,303
Licenses and permits	4,077	-	-	-	-	4,077
Fines and forfeitures	15,362	-	-	-	-	15,362
Investment income	325	342	561	79	176	1,483
Charges for services	51,030	-	-	-	3,066	54,096
Rents and royalties	27,148	-	-	-	-	27,148
Intergovernmental	-	60,000	-	-	47,977	107,977
Donations	-	-	-	-	9,866	9,866
Miscellaneous	550,088	-	-	-	6,195	556,283
Total revenues	1,311,081	118,800	109,125	301,114	122,374	1,962,494
EXPENDITURES						
Current:						
General government:						
General government	147,646	19,039	16,731	-	-	183,416
Administration	55,641	-	-	-	-	55,641
Total general government	203,287	19,039	16,731	-	-	239,057
Public safety and judiciary:						
Legal and courts	12,266	-	-	-	-	12,266
Police	395,873	-	-	-	2,629	398,502
Animal control	43,696	-	-	-	-	43,696
Fire	105,848	-	-	-	7,768	113,616
Total public safety and judiciary	557,683	-	-	-	10,397	568,080
Transportation:						
Street	144,877	-	27,423	-	11,499	183,799
Total transportation	144,877	-	27,423	-	11,499	183,799
Cultural, parks and recreation:						
Parks	56,444	-	-	-	-	56,444
Library	104,399	-	-	-	7,490	111,889
Cemetery	3,727	-	-	-	-	3,727
Total cultural, parks and recreation	164,570	-	-	-	7,490	172,060
Public service						
Tourism	-	-	-	-	16,834	16,834
Health	12,972	-	-	-	-	12,972
Total public service	12,972	-	-	-	16,834	29,806
Capital outlay	-	33,825	41,237	-	16,520	91,582
Total expenditures	1,083,389	52,864	85,391	-	62,740	1,284,384
Excess (deficiency) of revenues over expenditures	227,692	65,936	23,734	301,114	59,634	678,110
OTHER FINANCING SOURCES (USES)						
Transfers in	325,000	-	-	-	8,309	333,309
Transfers out	(8,309)	(149,800)	(62,451)	-	-	(220,560)
Total other financing sources and uses	316,691	(149,800)	(62,451)	-	8,309	112,749
Net change in fund balances	544,383	(83,864)	(38,717)	301,114	67,943	790,859
Fund balances - beginning	166,229	302,829	417,120	-	343,355	1,229,533
Fund balances - ending	\$ 710,612	\$ 218,965	\$ 378,403	\$ 301,114	\$ 411,298	\$ 2,020,392

(Continued)

City of Fairview, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2013

(Continued)

Reconciliation of the change in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$	790,859
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Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	91,582	
Depreciation expense	<u>(259,084)</u>	<u>(167,502)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>623,357</u></u>
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City of Fairview, Oklahoma
General Fund
June 30, 2013
Budget and Actual (Non-GAAP Budgetary Basis)

	Approved Budget	Revisions	Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ 380,000	\$ 75,000	\$ 455,000	\$ 468,056	\$ 13,056
Use taxes	57,500	5,000	62,500	98,368	35,868
Franchise taxes	42,500	-	42,500	33,002	(9,498)
Beverage taxes	59,000	-	59,000	63,625	4,625
Licenses and permits	2,300	-	2,300	4,077	1,777
Fines and forfeitures	28,315	5,000	33,315	15,362	(17,953)
Charges for services	21,825	-	21,825	51,030	29,205
Rent and royalties	30,000	-	30,000	27,148	(2,852)
Interest income	450	-	450	325	(125)
Miscellaneous	1,000	-	1,000	550,088	549,088
Total revenues before carryover	622,890	85,000	707,890	1,311,081	603,191
EXPENDITURES					
General government:					
General government	134,415	35,350	169,765	147,646	22,119
Administration	49,559	2,700	52,259	55,641	(3,382)
Total general government	183,974	38,050	222,024	203,287	18,737
Public safety and judiciary:					
Legal and courts	12,682	-	12,682	12,266	416
Police	424,266	2,000	426,266	395,873	30,393
Animal control	46,613	4,050	50,663	43,696	6,967
Fire	96,929	29,675	126,604	105,848	20,756
Total public safety and judiciary	580,490	35,725	616,215	557,683	58,532
Transportation:					
Streets	185,442	8,225	193,667	144,877	48,790
Total transportation	185,442	8,225	193,667	144,877	48,790
Cultural, parks and recreation:					
Parks	53,101	5,050	58,151	56,444	1,707
Library	111,544	(2,050)	109,494	104,399	5,095
Cemetery	4,300	-	4,300	3,727	573
Health and social services	12,000	-	12,000	12,972	(972)
Total cultural, parks and recreation	180,945	3,000	183,945	177,542	6,403
Total expenditures	1,130,851	85,000	1,215,851	1,083,389	132,462
Revenue over (under) expenditures	(507,961)	-	(507,961)	227,692	470,729
OTHER FINANCING SOURCES (USES)					
Operating transfers, net	482,715	-	482,715	316,691	(166,024)
Net other financing sources (uses)	482,715	-	482,715	316,691	(166,024)
Revenues and other financing sources over (under) expenditures and other uses	(25,246)	-	(25,246)	544,383	304,705
Fund balance at beginning of year (Non-GAAP budgetary basis)	83,667	-	83,667	148,567	64,900
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 58,421</u>	<u>\$ -</u>	<u>\$ 58,421</u>	\$ 692,950	<u>\$ 369,605</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and expenditure accruals				17,662	
Fund balance at end of year (GAAP basis)				<u>\$ 710,612</u>	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

City of Fairview, Oklahoma
Sales Tax 35% Improvement Fund
June 30, 2013
Budget and Actual (Non-GAAP Budgetary Basis)

	<u>Approved Budget</u>	<u>Revisions</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales taxes	\$ -	\$ 74,025	\$ 74,025	\$ 58,458	\$ (15,567)
Intergovernmental	-	-	-	60,000	60,000
Interest income	-	55	55	342	287
Total revenues before carryover	-	74,080	74,080	118,800	44,720
EXPENDITURES					
General government:					
General government	-	139,425	139,425	149,800	(10,375)
Administration	-	26,850	26,850	-	26,850
Total general government	-	166,275	166,275	149,800	16,475
Transportation:					
Streets	-	54,000	54,000	52,864	1,136
Total transportation	-	54,000	54,000	52,864	1,136
Cultural, parks and recreation:					
Parks	-	98,850	98,850	-	98,850
Total cultural, parks and recreation	-	98,850	98,850	-	98,850
Total expenditures	-	319,125	319,125	202,664	116,461
Revenue over (under) expenditures	-	(245,045)	(245,045)	(83,864)	(71,741)
Fund balance at beginning of year (Non-GAAP budgetary basis)	-	250,000	250,000	302,829	52,829
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ -</u>	<u>\$ 4,955</u>	<u>\$ 4,955</u>	\$ 218,965	<u>\$ (18,912)</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and expenditure accruals				-	
Fund balance at end of year (GAAP basis)				<u>\$ 218,965</u>	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

City of Fairview, Oklahoma
Sales Tax 65% Improvement Fund
June 30, 2013
Budget and Actual (Non-GAAP Budgetary Basis)

	Approved Budget	Revisions	Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ -	\$ 137,410	\$ 137,410	\$ 108,564	\$ (28,846)
Interest income	-	75	75	561	486
Total revenues before carryover	-	137,485	137,485	109,125	(28,360)
EXPENDITURES					
General government:					
Capital projects	-	235,610	235,610	147,842	87,768
Total general government	-	235,610	235,610	147,842	87,768
Revenue over (under) expenditures	-	(98,125)	(98,125)	(38,717)	(116,128)
Fund balance at beginning of year (Non-GAAP budgetary basis)	-	375,000	375,000	417,120	42,120
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ -</u>	<u>\$ 276,875</u>	<u>\$ 276,875</u>	\$ 378,403	<u>\$ (74,008)</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and expenditure accruals				-	
Fund balance at end of year (GAAP basis)				<u>\$ 378,403</u>	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

City of Fairview, Oklahoma
Sales Tax 2012 Fund
June 30, 2013
Budget and Actual (Non-GAAP Budgetary Basis)

	Approved Budget	Revisions	Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ -	\$ 189,450	\$ 189,450	\$ 301,035	\$ 111,585
Interest income	-	30	30	79	49
Total revenues before carryover	-	189,480	189,480	301,114	111,634
EXPENDITURES					
General government:					
Capital projects	-	18,111	18,111	-	18,111
Total general government	-	18,111	18,111	-	18,111
Revenue over (under) expenditures	-	171,369	171,369	301,114	93,523
OTHER FINANCING SOURCES (USES)					
Operating transfers, net	-	20,000	20,000	-	(20,000)
Net other financing sources (uses)	-	20,000	20,000	-	(20,000)
Revenues and other financing sources over (under) expenditures and other uses	-	191,369	191,369	301,114	73,523
Fund balance at beginning of year (Non-GAAP budgetary basis)	-	17,500	17,500	-	(17,500)
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ -</u>	<u>\$ 208,869</u>	<u>\$ 208,869</u>	<u>\$ 301,114</u>	<u>\$ 56,023</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and expenditure accruals				-	
Fund balance at end of year (GAAP basis)				<u>\$ 301,114</u>	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

City of Fairview, Oklahoma
Statement of Net Position
June 30, 2013

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority	Total Enterprise Funds	Component Unit Fairview Municipal Hospital Authority
ASSETS					
Current assets:					
Cash, including time deposits	\$ 541,068	\$ -	\$ 45,868	\$ 586,936	\$ 199,911
Investments	203,315	-	-	203,315	-
Prepaid deposits	55,825	-	-	55,825	-
Receivable from other governments	36,032	-	-	36,032	-
Accounts receivable (net)	331,114	-	-	331,114	990,361
Estimated third party payor	-	-	-	-	128,340
Supplies	-	-	-	-	88,938
Total current assets	<u>1,167,354</u>	<u>-</u>	<u>45,868</u>	<u>1,213,222</u>	<u>1,407,550</u>
Restricted assets:					
Cash, including time deposits	935,546	32,855	-	968,401	240,081
Investments	175,000	-	-	175,000	-
Receivable	-	-	-	-	63,721
Total restricted assets	<u>1,110,546</u>	<u>32,855</u>	<u>-</u>	<u>1,143,401</u>	<u>303,802</u>
Noncurrent assets:					
Other assets	-	-	-	-	111,216
Capital assets (net)	<u>8,270,508</u>	<u>1,778,143</u>	<u>20,000</u>	<u>10,068,651</u>	<u>3,941,637</u>
Total noncurrent assets	<u>8,270,508</u>	<u>1,778,143</u>	<u>20,000</u>	<u>10,068,651</u>	<u>4,052,853</u>
Total assets	\$ 10,548,408	\$ 1,810,998	\$ 65,868	\$ 12,425,274	\$ 5,764,205
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 49,486	\$ -	\$ -	\$ 49,486	\$ 412,609
Wages and benefits payable	13,755	-	-	13,755	338,680
Other accrued liabilities	-	-	-	-	3,804
Compensated absences, current	12,055	-	-	12,055	-
Notes payable, current	<u>129,600</u>	<u>-</u>	<u>-</u>	<u>129,600</u>	<u>377,906</u>
Total current liabilities	<u>204,896</u>	<u>-</u>	<u>-</u>	<u>204,896</u>	<u>1,132,999</u>
Liabilities payable from restricted assets:					
Accrued interest payable	307	-	-	307	-
Customer deposits payable	<u>177,722</u>	<u>-</u>	<u>-</u>	<u>177,722</u>	<u>-</u>
Bonds payable, current	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>165,000</u>	<u>-</u>
Total liabilities payable from restricted assets	<u>343,029</u>	<u>-</u>	<u>-</u>	<u>343,029</u>	<u>-</u>
Noncurrent liabilities:					
Notes payable, non-current	1,785,052	-	-	1,785,052	2,369,677
Bonds payable, noncurrent	<u>2,520,000</u>	<u>-</u>	<u>-</u>	<u>2,520,000</u>	<u>-</u>
Total noncurrent liabilities	<u>4,305,052</u>	<u>-</u>	<u>-</u>	<u>4,305,052</u>	<u>2,369,677</u>
Total liabilities	4,852,977	-	-	4,852,977	3,502,676
NET POSITION					
Invested in capital assets, net of related debt	3,670,856	1,778,143	20,000	5,468,999	1,210,612
Restricted	<u>767,824</u>	<u>32,855</u>	<u>-</u>	<u>800,679</u>	<u>303,802</u>
Unrestricted	<u>1,256,751</u>	<u>-</u>	<u>45,868</u>	<u>1,302,619</u>	<u>747,115</u>
Total net position	\$ 5,695,431	\$ 1,810,998	\$ 65,868	\$ 7,572,297	\$ 2,261,529

City of Fairview, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
June 30, 2013

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority	Total Enterprise Funds	Component Unit Fairview Municipal Hospital Authority
<u>Operating revenues:</u>					
Charges for services:					
Electric charges	\$ 3,096,205	\$ -	\$ -	\$ 3,096,205	\$ -
Water charges	444,273	-	-	444,273	-
Sewer charges	275,401	-	-	275,401	-
Sanitation charges	289,306	-	-	289,306	-
Patient services	-	-	-	-	4,997,816
Penalties	38,599	-	-	38,599	-
Total charges for services	4,143,784	-	-	4,143,784	4,997,816
Lease and rental income	-	16,669	19,975	36,644	-
Miscellaneous	(7,355)	-	-	(7,355)	263,045
Total operating revenues	4,136,429	16,669	19,975	4,173,073	5,260,861
<u>Operating expenses:</u>					
Cost of goods sold	2,162,431	-	-	2,162,431	-
Personal services	718,264	-	-	718,264	876,833
Materials and supplies	332,372	3,339	-	335,711	470,663
Other services and charges	382,616	8,191	12,043	402,850	3,696,851
Depreciation and amortization	336,452	53,913	-	390,365	474,018
Total operating expenses	3,932,135	65,443	12,043	4,009,621	5,518,365
Net operating income	204,294	(48,774)	7,932	163,452	(257,504)
<u>Nonoperating revenue (expense):</u>					
Grants and contributions	-	-	-	-	45,289
Intergovernmental	468,056	-	-	468,056	479,508
Investment income	5,242	41	104	5,387	1,587
Interest expense	(175,800)	-	-	(175,800)	(135,655)
Debt forgiveness	-	-	14,790	14,790	100,000
Total nonoperating revenue (expense)	297,498	41	14,894	312,433	490,729
Net income before contributions and transfers	501,792	(48,733)	22,826	475,885	233,225
Transfers from other funds	195,146	17,105	-	212,251	-
Transfers to other funds	(325,000)	-	-	(325,000)	-
Change in net position	371,938	(31,628)	22,826	363,136	233,225
Net position-beginning of year	5,451,667	1,842,626	43,042	7,337,335	2,028,304
Adoption of GASB 65	(128,174)	-	-	(128,174)	-
Net position-end of year	\$ 5,695,431	\$ 1,810,998	\$ 65,868	\$ 7,572,297	\$ 2,261,529

City of Fairview, Oklahoma
Statement of Cash Flows
June 30, 2013

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority	Component Unit Fairview Municipal Hospital Authority
<u>Cash flows from operating activities:</u>				
Receipts from customers	\$ 4,162,971	\$ 16,669	\$ 19,975	\$ 4,607,432
Payments to suppliers	(2,847,881)	(12,044)	(21,043)	(1,763,537)
Payments to employees	(727,796)	-	-	(3,089,479)
Other operating revenues	(7,355)	-	-	268,348
Net cash provided (used) by operating activities	579,939	4,625	(1,068)	22,764
<u>Cash flows from non-capital financing activities:</u>				
Receipts under interfund agreements	468,056	-	-	(83,078)
Transfers from other funds	195,146	17,105	-	-
Transfers to other funds	(325,000)	-	-	-
Net cash provided (used) by non-capital financing activities	338,202	17,105	-	(83,078)
<u>Cash flows from capital and related financing activities:</u>				
Purchases of capital assets	(254,538)	(17,105)	(20,000)	(114,613)
Proceeds from sale of assets	-	-	14,790	-
Principal paid on bonds and notes	(285,710)	-	-	(376,809)
Interest and fiscal charges paid on bonds and notes	(175,800)	-	-	(135,655)
Capital grants and contributions	-	-	-	475,856
Net cash provided (used) by capital and related financing activities	(716,048)	(17,105)	(5,210)	(151,221)
<u>Cash flows from investing activities:</u>				
Proceeds from note receivable	-	-	-	23,777
Investment income	12,142	38	104	1,587
Net cash provided (used) by investing activities	12,142	38	104	25,364
Net increase (decrease) in cash and cash equivalents	214,235	4,663	(6,174)	(186,171)
Cash and cash equivalents, July 1, 2012	1,262,379	28,192	52,042	626,163
Cash and cash equivalents, June 30, 2013	<u>\$ 1,476,614</u>	<u>\$ 32,855</u>	<u>\$ 45,868</u>	<u>\$ 439,992</u>
Cash, including time deposits	\$ 541,068	\$ -	\$ 45,868	\$ 199,911
Restricted cash, including time deposits	935,546	32,855	-	240,081
Total cash and cash equivalents, end of year	<u>\$ 1,476,614</u>	<u>\$ 32,855</u>	<u>\$ 45,868</u>	<u>\$ 439,992</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>				
Operating income (loss)	\$ 204,294	\$ (48,774)	\$ 7,932	\$ (257,504)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	336,452	53,913	-	474,018
Provision for bad debts	-	-	-	847,816
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	34,971	-	-	(1,008,306)
(Increase) decrease in inventory	-	-	-	21,171
(Increase) decrease in prepaid deposits	-	-	-	127,604
(Increase) decrease in third party payors	-	-	-	(230,181)
Increase (decrease) in accounts payable	29,538	(514)	(9,000)	21,429
Increase (decrease) in compensated absences	(9,532)	-	-	26,717
Increase (decrease) in deferred revenue	(15,784)	-	-	-
Total adjustments	375,645	53,399	(9,000)	280,268
Net cash provided (used) by operating activities	\$ 579,939	\$ 4,625	\$ (1,068)	\$ 22,764
<u>Supplemental Cash Disclosure</u>				
Assets purchased under other financing arrangements	-	-	-	59,813
Financed insurance	-	-	-	128,104
Debt forgiveness on utilities payable	-	-	-	100,000
Non-operating bad debt expense	-	-	-	5,345

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(A) Introduction:

The accounting and reporting framework and the more significant accounting principles and practices of the City of Fairview (City) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2013.

(B) Financial Reporting Entity:

The City of Fairview is a Council-Manager form of government in which citizens elect a five-member City Council. The Council, vested with the legislative powers, appoints the City Manager who is the executive and administrative head of the City government. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Due to restrictions of the state constitution relating to the issuance of municipal debt, the City created public trusts pursuant to Title 60 of Oklahoma State Law to finance City services with revenue bonds or other non-general obligation financing, and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely.

Blended Component Units Reported with Primary Government

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Reporting Fund Type</u>
Fairview Utility Authority (FUA)	Created February 2, 1982 to develop and operate all public utilities of whatever nature, including water, sewer, electric, garbage, cable TV, airport, and streets	Enterprise Fund
Fairview Airport Authority	Created April 20, 1976 to plan, establish, develop, operate, and regulate airports and air navigation facilities within or without the territorial boundaries of the City	Enterprise Fund
Fairview Economic Development Authority	Created August 1, 1993 to stimulate economic growth and development of the City through financing and development of commercial and industrial projects, agriculture business, health care facilities, energy development, transportation, and recreation	Enterprise Fund

Management has elected to exclude the Fairview Industrial Development Authority as a component unit of the City. The Authority was created August 5, 1975 to secure, develop, and maintain industrial and manufacturing activities. For the year ended June 30, 2008, net assets of the Authority were \$5,105 which is less than 0.1% of the net position of the primary government of the City of Fairview. The Authority was audited by another auditor for the fiscal year ending June 30, 2013.

(C) Government-wide and Fund Financial Statements:

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. .

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility and repair services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

All activity between governmental and blended business-type activities are eliminated and any residual balances outstanding between the activities are reported in the government-wide financial statements as internal balances.

(D) Fund Types and Major Funds:

Major and Non-Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The reporting entity includes the following special revenue funds:

CITY OF FAIRVIEW, OKLAHOMA
Notes to Financial Statements
June 30, 2013

<u>Fund</u>	<u>Brief Description</u>	<u>Major vs. Non-Major</u>
Sales Tax Improvement 35%	Accounts for 35% of 1 cent sales tax restricted for general capital improvements, expired November 2012	Major
Sales Tax Improvement 65%	Accounts for 65% of 1 cent sales tax restricted for general capital improvements, expired November 2012	Major
Sales Tax 2012	Accounts for 1 cent sales tax restricted for general capital improvements, approved November 2012	Major
Centennial Commission	Accounts for the revenues and expense related to the Oklahoma Centennial celebration.	Non-Major
Street & Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.	Non-Major
Economic & Tourism	Accounts for the receipts from the hotel/motel tax Board restricted for economic development and tourism	Non-Major
Sales Tax	Accounts for receipt and payment of sales taxes collected by the City	Non-Major
Uniform Building Code	Accounts for revenues and expenses related to the enforcement of the City's building code	Non-Major
Cemetery Special	Accounts for revenues and expenses related to the municipal cemetery	Non-Major
Cemetery Care	Accounts for 50 percent of cemetery revenue. Of the 50 percent 12.5 percent is restricted by State law for cemetery capital improvements.	Non-Major
Police Department	Accounts for revenues and expenses related to the police department	Non-Major
Fire Department	Accounts for revenues and expenses related to the fire department	Non-Major
Library Special	Accounts for revenues and expenses related to the municipal library	Non-Major
Insurance Fund	Accounts for reimbursement received from insurance companies and the related expenses for repair of capital assets	Non-Major
Skate Park Fund	Accounts for revenues and expenses related to the municipal skate park	Non-Major
FEMA Fund	Accounts for federal funds received related to storm damage to the City of Fairview	Non-Major

Major Proprietary Funds

<u>Fund</u>	<u>Brief Description</u>
Fairview Utility Authority	Accounts for the activities of the public trust in providing all public utilities
Fairview Airport Authority	Accounts for the activities of the public trust in providing airport operations
Fairview Municipal Hospital Authority	Accounts for the activities of the public trust in providing health care to the public
Fairview Economic Development Authority	Accounts for the activities of the public trust in providing economic development

(E) Assets, Liabilities and Equity:

Cash and Investments

For the purposes of the Statement of Net Position and Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts, and certificate of deposit or short-term investment with an original maturity of three months or less. In addition, revenue bond trust account investments in open-ended mutual funds are considered "cash and cash equivalents". Cash deposits are reported at carrying amount which reasonably estimates fair value.

Investments are reported at costs which approximated fair value, unless otherwise indicated. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Receivables and Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending on the fund.

Prepaid deposits

Prepaid deposits represent cash hold in escrow with the Oklahoma Municipal Assurance Group related to the City's worker's compensation insurance.

Capital Assets, Depreciation, and Amortization

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Fixed assets are identified by the City as assets with an initial, individual cost of greater than \$1,500 and an estimated useful life in excess of two years.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets, dated back to July 1, 1980, have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- Buildings	20-50 years
- Other Improvements	10-50 years
- Machinery, Furniture and Equipment	3-20 years
- Infrastructure	30-50 years

Fund Financial Statement

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include current assets of proprietary fund types that are legally restricted as to their use.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Equity Classifications

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Net position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

Invested in capital assets, net of related debt

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

(F) Revenues, Expenditures and Expenses:

Sales Tax

The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Sales tax collected by the State in June (which represent sales for May) and received by the City in July have been accrued and are included under the caption "Receivable from other governments". The sales tax received is recorded as sales tax revenue within the General Fund and Sales Tax Improvement funds as follows:

- 1 cent: Restricted for general capital improvements accounted for in the Sales Tax 2012 Fund
- 1 cent: Earmarked for payment of renovating, expanding, and equipping the Fairview Municipal Hospital Authority facilities
- 1 cent: Pledged to secure payment on the Fairview Utility System Revenue Notes, Series 2008
- 1 cent: Unrestricted and available for general City use

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, parks charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds, specifically water, sewer, and garbage utility services.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activities grants and contributions include restricted investment income, donations from others, as well as grants from Federal and state agencies.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to all accrued vacation leave and comp time upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Deficit Fund Net Position/Fund Balance:

Deficits resulting from accrual reporting do not constitute violations of the Oklahoma State Statutes. For the year ended June 30, 2013, the City reported no individual fund deficits.

(B) Budget Requirements:

Budget Policy and Practice

The City Manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

Budget Basis of Accounting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

For the year ended June 30, 2013, the City complied, in all material respects, with the applicable budget laws.

(C) Revenue Restrictions:

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1(F)
Gasoline Excise and Commercial Vehicle Tax	Street and Alley Purposes
Cemetery Revenue (12.5%)	Cemetery Capital Improvements
Lodging Tax	Tourism

For the year ended June 30, 2013, the City complied, in all material respects, with these revenue restrictions.

(D) Debt Restrictions and Covenants:

The debt issued by the Fairview Utility Authority contains a number of covenants that are financial in nature. The most significant requirement is the debt service coverage ratio. Debt service coverage ratio calculates the charges for the operation of sewer and garbage services (the "system") along with the other revenues pledged shall provide Net Revenues Available for Debt Service which must equal 1.25 times average annual debt service on the note for the Authority. For the year ended June 30, 2013, the City was in compliance with this requirement.

<u>Debt Service Coverage</u>	<u>1992 OWRB</u>	<u>2008 Bond</u>
Gross revenue available for debt service		
Operating revenues of system	\$ 564,707	\$ 3,096,205
Sales tax pledged	-	468,056
Total gross revenues available for debt service	564,707	3,564,261
Operating expenses		
Operating expenses of system	563,941	2,531,225
Excluding depreciation, amortization, and interest expense	(130,433)	(37,884)
Net revenues available for debt service	<u>\$ 131,199</u>	<u>\$ 1,070,920</u>
Debt service requirements		
Average annual debt service	<u>\$ 36,040</u>	<u>312,360</u>
Computed coverage	<u>3.64</u>	<u>3.43</u>
Coverage requirement	<u>1.25</u>	<u>1.25</u>

NOTE 3: DETAIL NOTES ON FUNDS AND ACCOUNT GROUPS

The following notes present detail information to support the amounts reported in the combined financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses. Detail notes for the transactions of the Fairview Hospital Authority and the Fairview Industrial Authority are included in their respective audits, as those audits were performed by another auditor.

(A) Cash and Investments:

Deposits

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City or applicable public trust.

Investments

As of June 30, 2013, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
Proprietary funds				
<u>POOLED INVESTMENTS:</u>				
Certificates of deposit	\$ 378,315	\$ 378,315	N/A	6.3
Total proprietary investments	<u>\$ 378,315</u>	<u>\$ 378,315</u>		
Grand total investments	<u>\$ 378,315</u>	<u>\$ 378,315</u>		
Reconciliation to Statement of Net Assets				
Investments	\$ 203,315			
Restricted Investments	<u>175,000</u>			
Total Investments	<u>\$ 378,315</u>			

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

Generally, the City's investing activities are managed under the custody of the City Manager and City Council. Investing is performed in accordance with State Statutes and the City Charter.

(B) Accounts Receivable and allowance:

Governmental activities report sales and use taxes receivable and county tax receivable. The City has not recorded an allowance on the taxes receivable from the state and county government.

Accounts receivable of the business-type activities consists of utilities receivable for water, sewer, and solid waste hauling fees. Based upon historical knowledge and collection experience, the City has recorded an allowance of \$165,268 on accounts receivable in business-type activities.

CITY OF FAIRVIEW, OKLAHOMA
Notes to Financial Statements
June 30, 2013

(C) Capital Assets:

Governmental Activities

A summary of the changes in the governmental activities fixed assets is as follows:

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
Land	\$ 97,848	\$ 15,152	\$ -	\$ 113,000
Buildings	2,778,268	-	-	2,778,268
Other improvements	1,053,021	55,185	-	1,108,206
Machinery, furniture & equip.	1,212,469	21,245	-	1,233,714
	5,141,606	91,582	-	5,233,188
Less accumulated depreciation	2,396,278	259,084	-	2,655,362
Net property, plant, & equipment	<u>\$ 2,745,328</u>			<u>\$ 2,577,826</u>

Business-Type Activities

A summary of the changes in the business-type activities fixed assets is as follows:

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
Land	\$ 717,239	\$ 20,000	\$ -	\$ 737,239
Buildings	3,845,401	-	-	3,845,401
Machinery, furniture, & equip	1,131,279	94,935	-	1,226,214
Infrastructure/utility system	8,679,600	180,721	-	8,860,321
Construction in progress	60,624	-	-	60,624
	14,434,143	295,656	-	14,729,799
Less accumulated depreciation	4,266,774	394,374	-	4,661,148
Net property, plant, & equipment	<u>\$ 10,167,369</u>			<u>\$ 10,068,651</u>

Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2013:

	Fairview Utility Authority	Fairview Airport Authority	Economic Development Authority	Total
Land	\$ 705,511	\$ 11,728	\$ 20,000	\$ 737,239
Buildings	3,845,401	-	-	3,845,401
Machinery, furniture, & equip.	1,226,213	-	-	1,226,213
Infrastructure	6,413,112	2,447,210	-	8,860,322
Construction in progress	-	60,624	-	60,624
	12,190,237	2,519,562	20,000	14,729,799
Less accumulated depreciation	3,919,729	741,419	-	4,661,148
Net property, plant, & equipment	<u>\$ 8,270,508</u>	<u>\$ 1,778,143</u>	<u>\$ 20,000</u>	<u>\$ 10,068,651</u>

CITY OF FAIRVIEW, OKLAHOMA
Notes to Financial Statements
June 30, 2013

Depreciation

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities		Business-type Activities	
General government:	\$ 12,630	Electric	\$ 37,884
Public safety and judiciary:	23,092	Water	58,165
Transportation:	85,505	Sewer	100,647
Cultural, parks and recreation:	137,857	Sanitation	29,786
Parks	<u>\$ 259,084</u>	General government	113,979
		Airport	53,913
			<u>\$ 394,374</u>

(D) Long-Term Debt:

Business-Type Activities

As of June 30, 2013, the long-term debt payable from enterprise fund resources consisted of the following:

NOTE PAYABLE:

Note Payable to the Oklahoma Water Resources Board (OWRB), original amount of \$550,000 dated April 1992, payable in quarterly installments at a variable interest rate set by OWRB currently at 4.4%, final payment due August 2019. Funds were used to finance construction, acquisition, equipment additions and improvements to the existing sewer treatment facilities. The note is secured by the revenues of the Authority's sewer and garbage systems. \$ 236,400

Note payable to OWRB original amount of \$1,980,000, dated December 2010, to fund improvements on the Authority's lagoon system, rebuilding dikes and replacing pumps. The loan is structured as a construction line of credit, which was closed in March 2012. The note is secured by the Authority's sewer and sanitation system revenues and 0.5% pledged sales tax, carrying an interest rate of 3.1% which includes an administrative fee of 0.5%, final maturity on September 15, 2031. 1,678,252

Total notes payable \$ 1,914,652

BONDS PAYABLE:

Series Utility System Revenue Note, Series 2008 original issue amount of \$3,165,000, dated October 2008, for the purpose of the design and construction of a new municipal swimming pool, and renovations to the Civic Auditorium. The bonds are secured by the Authority's electrical and water system revenues and pledged sales tax, carrying an interest rate of 4.5%, final maturity on March 1, 2024. \$ 2,685,000

Total revenue bonds payable \$ 2,685,000

CITY OF FAIRVIEW, OKLAHOMA
Notes to Financial Statements
June 30, 2013

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

<u>Type of Debt</u>	<u>Balance at July 1, 2012</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
Enterprise Fund Debt:					
Notes payable	\$ 2,045,362	\$ -	\$ 130,710	\$ 1,914,652	\$ 129,600
Revenue bonds payable	2,840,000	-	155,000	2,685,000	165,000
Total enterprise fund debt	<u>\$ 4,885,362</u>	<u>\$ -</u>	<u>\$ 285,710</u>	<u>\$ 4,599,652</u>	<u>\$ 294,600</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Notes Payable</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 129,600	\$ 60,918	\$ 165,000	\$ 119,025
2015	110,436	58,159	175,000	111,488
2016	115,570	55,293	195,000	103,388
2017	120,992	52,317	205,000	94,500
2018	140,800	48,168	225,000	85,051
2019-2023	515,635	214,472	1,375,000	342,113
2024-2028	528,183	138,247	345,000	11,701
2029-2031	253,436	12,672	-	-
Totals	<u>\$ 1,914,652</u>	<u>\$ 640,246</u>	<u>\$ 2,685,000</u>	<u>\$ 867,266</u>

(E) Interfund Transactions and Balances:

Operating transfers for the year ended June 30, 2013 were as follows:

CITY OF FAIRVIEW, OKLAHOMA
Notes to Financial Statements
June 30, 2013

<u>OPERATING TRANSFERS:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND:		
Utility Authority (an enterprise fund)	\$ 325,000	\$ -
Police Sepcial Fund	-	6,647
Fire Special Fund	-	1,662
Total General Fund	<u>325,000</u>	<u>8,309</u>
SPECIAL REVENUE FUNDS:		
Sales Tax 65% Fund :		
Utility Authority (an enterprise fund)	-	45,346
Airport Authority (an enterprise fund)	-	17,105
Sales Tax 35% Fund :		
Utility Authority (an enterprise fund)	-	149,800
Police Special Fund :		
General Fund	6,647	-
Fire Special Fund :		
General Fund	1,662	-
Total Special Revenue Fund	<u>8,309</u>	<u>212,251</u>
ENTERPRISE FUNDS:		
Fairview Utility Authority:		
General Fund	-	325,000
Sales Tax 35% Fund (a special revenue fund)	45,346	-
Sales Tax 65% Fund (a special revenue fund)	149,800	-
Fairview Airport Authority:		
Sales Tax 65% Fund (a special revenue fund)	17,105	-
Total Enterprise Funds	<u>212,251</u>	<u>325,000</u>
 Total cash transfers	 <u>\$ 545,560</u>	 <u>\$ 545,560</u>
 GRAND TOTAL	 <u>\$ 545,560</u>	 <u>\$ 545,560</u>

NOTE 4: OTHER NOTES

(A) Employee Pension and Other Benefit Plans:

Substantially all of the City's full time employees, with the exception of firefighters, participate in a defined contribution plan administered by the Oklahoma Municipal Retirement System (OMRF), a statewide fund established to administer pension plans for municipal employees. The defined contribution plan is funded through selected rates of contributions as elected by each municipality. The funds are credited to individual participant accounts and pooled for investment purposes through OMRF. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vest portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

The fair value of the defined contribution plan assets for the City is \$890,567 as of June 30, 2013. Fair value of the assets is based upon published market prices at the specified date. The City Manager participates in the City Manager Only (CMO) Plan administered by OMRF. A copy of the stand-alone plan financial report can be obtained from Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

Firefighters participate in the Oklahoma Firefighters Pension Plan.

Oklahoma Firefighter's Pension Plan

The City of Fairview, as the employer, participates in a statewide cost-sharing multi-employer defined benefit plans on behalf of firefighters. The system is administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and State appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	Oklahoma Firefighter's Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Plan member's contribution rate	8% of covered payroll
City's contribution rate	13% of covered payroll, \$60 per year for volunteer firefighters
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years

The system is administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are:

	Oklahoma Firefighter's Pension and Retirement System
Provision for:	
Cost of living adjustment	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes
Valuation Date	7/1/09
Actuarial cost method	Individual entry age normal
Amortization method/period	Level dollar 30 years, open
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase	5.0% - 19.0%
Post retirement benefit increase (max)	2.0%
Inflation	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

(B) Commitments and Contingencies:

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

(C) Date of Management's Review

Subsequent events were evaluated through January 20, 2014, which is the date the financial statements were available to be issued.

City of Fairview, Oklahoma
Combining Balance Sheet
June 30, 2013

	Centennial Commission Fund	Street & Alley Fund	Economic & Tourism Fund	Sales Tax Fund	Uniform Building Code Fund	Cemetery Special Fund	Police Department Fund	Fire Special Fund	Library Special Fund	Insurance Fund	Skate Park Fund	Cemetery Care Fund	FEMA Fund	Aquatic Center Fund	Total Other Governmental Funds
ASSETS															
Cash, including time deposits	\$ 3,174	\$ 84,271	\$ 108,013	\$ 1,434	\$ 15	\$ 676	\$ 10,165	\$ 63,187	\$ 14,137	\$ 7,213	\$ 2,645	\$ 26,250	\$ 51,816	\$ 66	\$ 373,062
Taxes receivable	-	3,932	-	-	-	-	-	-	-	-	-	-	35,709	-	39,641
Total assets	<u>\$ 3,174</u>	<u>\$ 88,203</u>	<u>\$ 108,013</u>	<u>\$ 1,434</u>	<u>\$ 15</u>	<u>\$ 676</u>	<u>\$ 10,165</u>	<u>\$ 63,187</u>	<u>\$ 14,137</u>	<u>\$ 7,213</u>	<u>\$ 2,645</u>	<u>\$ 26,250</u>	<u>\$ 87,525</u>	<u>\$ 66</u>	<u>\$ 412,703</u>
LIABILITIES															
Accounts payable	\$ -	\$ -	\$ -	\$ 1,036	\$ -	\$ -	\$ -	\$ -	\$ 369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,405
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,405</u>
FUND BALANCES															
Reserved	-	-	-	398	-	676	-	-	-	-	-	26,250	-	-	27,324
Committed	-	88,203	-	-	-	-	-	-	-	-	-	-	87,525	-	175,728
Assigned	3,174	-	108,013	-	15	-	10,165	63,187	13,768	7,213	2,645	-	-	66	208,246
Total fund balances	<u>3,174</u>	<u>88,203</u>	<u>108,013</u>	<u>398</u>	<u>15</u>	<u>676</u>	<u>10,165</u>	<u>63,187</u>	<u>13,768</u>	<u>7,213</u>	<u>2,645</u>	<u>26,250</u>	<u>87,525</u>	<u>66</u>	<u>411,298</u>
Total liabilities and fund balances	<u>\$ 3,174</u>	<u>\$ 88,203</u>	<u>\$ 108,013</u>	<u>\$ 1,434</u>	<u>\$ 15</u>	<u>\$ 676</u>	<u>\$ 10,165</u>	<u>\$ 63,187</u>	<u>\$ 14,137</u>	<u>\$ 7,213</u>	<u>\$ 2,645</u>	<u>\$ 26,250</u>	<u>\$ 87,525</u>	<u>\$ 66</u>	<u>\$ 412,703</u>

City of Fairview, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2013

	Centennial Commission Fund	Street & Alley Fund	Economic & Tourism Fund	Sales Tax Fund	Uniform Building Code Fund	Cemetery Fund	Police Department Fund	Fire Department Fund	Library Special Fund	Insurance Fund	Skate Park Fund	Cemetery Care Fund	FEMA Fund	Aquatic Center Fund	Total Governmental Funds
REVENUES															
Investment income	\$ -	\$ -	\$ 137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 33	\$ -	\$ -	\$ 176
Charges for services	-	-	-	-	104	-	-	-	862	-	-	2,100	-	-	3,066
Intergovernmental programs	-	23,303	31,791	-	-	-	-	-	12,268	-	-	-	35,709	-	103,071
Donations	-	-	-	-	-	-	3,244	6,622	-	-	-	-	-	-	9,866
Miscellaneous	-	-	-	278	-	-	-	-	-	5,917	-	-	-	-	6,195
Total revenues	-	23,303	31,928	278	104	-	3,244	6,622	13,130	5,917	6	2,133	35,709	-	122,374
EXPENDITURES															
Current:															
Public safety and judiciary:															
Police	-	-	-	-	89	-	2,540	-	-	-	-	-	-	-	2,629
Fire	-	-	-	-	-	-	-	7,768	-	-	-	-	-	-	7,768
Total public safety and judiciary	-	-	-	-	89	-	2,540	7,768	-	-	-	-	-	-	10,397
Transportation:															
Street	-	10,381	-	-	-	-	-	-	-	1,118	-	-	-	-	11,499
Total transportation	-	10,381	-	-	-	-	-	-	-	1,118	-	-	-	-	11,499
Cultural, parks and recreation:															
Library	-	-	-	-	-	-	-	-	7,490	-	-	-	-	-	7,490
Total cultural, parks, and recreation	-	-	-	-	-	-	-	-	7,490	-	-	-	-	-	7,490
Community development:															
Tourism	169	-	16,665	-	-	-	-	-	-	-	-	-	-	-	16,834
Total community development	169	-	16,665	-	-	-	-	-	-	-	-	-	-	-	16,834
Capital outlay	-	6,520	-	-	-	-	10,000	-	-	-	-	-	-	-	16,520
Total expenditures	169	16,901	16,665	-	89	-	12,540	7,768	7,490	1,118	-	-	-	-	62,740
Excess (deficiency) of revenues over expenditures	(169)	6,402	15,263	278	15	-	(9,296)	(1,146)	5,640	4,799	6	2,133	35,709	-	59,634
OTHER FINANCING SOURCES (USES)															
Transfers in	-	-	-	-	-	-	6,647	1,662	-	-	-	-	-	-	8,309
Total other financing sources and uses	-	-	-	-	-	-	6,647	1,662	-	-	-	-	-	-	8,309
Net change in fund balances	(169)	6,402	15,263	278	15	-	(2,649)	516	5,640	4,799	6	2,133	35,709	-	67,943
Fund balances - beginning	3,343	81,801	92,750	120	-	676	12,814	62,671	8,128	2,414	2,639	24,117	51,816	66	343,355
Fund balances - ending	<u>\$ 3,174</u>	<u>\$ 88,203</u>	<u>\$ 108,013</u>	<u>\$ 398</u>	<u>\$ 15</u>	<u>\$ 676</u>	<u>\$ 10,165</u>	<u>\$ 63,187</u>	<u>\$ 13,768</u>	<u>\$ 7,213</u>	<u>\$ 2,645</u>	<u>\$ 26,250</u>	<u>\$ 87,525</u>	<u>\$ 66</u>	<u>\$ 411,298</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Fairview, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fairview, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Fairview, Oklahoma's basic financial statements, and have issued our report thereon dated January 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Fairview, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fairview, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fairview, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about City of Fairview, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FSW&B CPA's-PLLC

FSW&B CPA's-PLLC

Stillwater, Oklahoma

January 20, 2014